

**BONA VISTA WATER IMPROVEMENT DISTRICT
BASIC FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITOR'S REPORTS
YEAR ENDED DECEMBER 31, 2006**

**BONA VISTA WATER IMPROVEMENT DISTRICT
YEAR ENDED DECEMBER 31, 2006**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Bona Vista Water Improvement District

We have audited the accompanying financial statements of the business-type activities of Bona Vista Water Improvement District, as of and for the year ended December 31, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Bona Vista Water Improvement District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Bona Vista Water Improvement District, as of December 31, 2006, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 17, 2007, on our consideration of Bona Vista Water Improvement District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Board of Directors
Bona Vista Water Improvement District

The management's discussion and analysis on pages 3 through 7 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Wood Richard & Associate

Ogden, Utah
May 17, 2007

**BONA VISTA WATER IMPROVEMENT DISTRICT
MANAGEMENT'S
DISCUSSION AND ANALYSIS
DECEMBER 31, 2006**

This document is a narrative overview and analysis of the financial activities of Bona Vista Water Improvement District for the year ending December 31, 2006. Bona Vista Water Improvement District's management encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section.

Basic Financial Statements

The Balance Sheet focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the District owns, the liabilities it owes, and the net difference. The net difference is further separated into amounts invested in capital assets, net of related debt; restricted for specific purposes and unrestricted amounts.

The Statement of Revenues, Expenses and Changes in Net Assets focuses on operating revenues and expenses and the extent to which the water fund relies on non operating revenues of impact fees, interest revenue, and operational activities.

The Notes to the Financial Statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the District's financial condition.

The Management's Discussion and Analysis is intended to explain the significant changes in financial position and the differences in operation between the current and prior years. When possible, significant changes from the prior year are explained in the following paragraphs.

**BONA VISTA WATER IMPROVEMENT DISTRICT
MANAGEMENT'S
DISCUSSION AND ANALYSIS
DECEMBER 31, 2006**

Financial Statements

A condensed version of the Balance Sheet at December 31, 2006 follows:

	<u>2006</u>	<u>2005</u>
Net Assets at Year-end		
Cash and cash equivalents	\$ 5,146,508	\$ 4,795,769
Other assets	392,561	363,745
Capital assets	9,004,691	8,416,480
Total assets	<u>\$ 14,543,760</u>	<u>\$ 13,575,994</u>
Current liabilities	<u>\$ 448,625</u>	<u>\$ 284,762</u>
Total liabilities	<u>448,625</u>	<u>284,762</u>
Net assets:		
Invested in capital assets, net of related debt	9,004,691	8,416,480
Restricted		
Impact Fees	1,651,335	1,380,180
Fire Hydrant	9,706	12,906
Unrestricted	<u>3,429,403</u>	<u>3,481,666</u>
Total net assets	<u>14,095,135</u>	<u>13,291,232</u>
Total liabilities and net assets	<u>\$ 14,543,760</u>	<u>\$ 13,575,994</u>

During the year ended December 31, 2006 the significant events that changed the balance of net assets were:

The expansion in 2006 included improvements and additions to the water system.

**BONA VISTA WATER IMPROVEMENT DISTRICT
MANAGEMENT'S
DISCUSSION AND ANALYSIS
DECEMBER 31, 2006**

A condensed version of the Statement of Revenues, Expenses and Changes in Net Assets follows:

For the year ended December 31, 2006

	<u>2006</u>	<u>2005</u>
Operating revenues:		
Water sales	\$ 1,380,333	\$ 1,319,271
Billing fees and late penalties	79,088	79,160
Taxes	384,564	357,602
Miscellaneous	55,371	44,171
Total operating revenues	1,899,356	1,800,204
Non operating revenues:		
Connection fees	104,339	95,723
Impact fees	303,193	228,351
Interest income	234,037	151,574
Gain on sale of assets	(13,065)	105,978
Annexations	60,372	44,334
Total non operating revenues	688,876	625,960
Total revenues	<u>2,588,232</u>	<u>2,426,164</u>
Expenses:		
Depreciation	280,179	275,333
Personnel expenses	479,811	476,105
Water purchases	659,004	592,587
Other operating expenses	365,335	349,820
Total operating expenses	1,784,329	1,693,845
Change in net assets	803,903	732,319
Beginning net assets	13,291,232	12,558,913
Ending net assets	<u>\$ 14,095,135</u>	<u>\$ 13,291,232</u>

For the year ended December 31, 2006 the total revenues for the District were \$2,588,232, Operating revenues total \$1,899,356. The majority of the revenue is from water sales. The non-operating revenues of \$688,876 consist of impact fees, connection fees, and interest income.

**BONA VISTA WATER IMPROVEMENT DISTRICT
MANAGEMENT'S
DISCUSSION AND ANALYSIS
DECEMBER 31, 2006**

Budgetary Highlights

The District follows the "Uniform Fiscal Procedures Act". Budgets may be increased by resolution of the Board of Directors at any time during the year, following a public hearing.

Capital Assets and Debt Administration

Capital Assets

At December 31, 2006 the District had \$9,004,691 invested in capital assets, including land, buildings, equipment and water delivery systems. This amount represents a net increase from additions, deductions, and depreciation of \$782,711 or 9.5% from the prior year.

Capital Assets at Year-end

	<u>2006</u>	<u>2005</u>
Land	\$ 194,500	\$ 194,500
Building	999,351	999,351
Equipment	300,450	425,235
Water delivery system	11,735,909	10,914,413
Subtotal	13,230,210	12,533,499
Accumulated depreciation	(4,225,519)	(4,117,019)
Net capital assets	<u>\$ 9,004,691</u>	<u>\$ 8,416,480</u>

There were \$821,496 additions to the water delivery system and \$124,785 decrease to equipment during the year.

**BONA VISTA WATER IMPROVEMENT DISTRICT
MANAGEMENT'S
DISCUSSION AND ANALYSIS
DECEMBER 31, 2006**

Economic factors and currently known facts

The District's Weber Basin and Ogden City water assessment increased by \$66,417 in 2006. These assessments are likely to have additional increases in the future due to operation and maintenance costs.

The District's future plans are to make improvements to existing water system and install large feeder lines in areas of new growth financed by impact fees.

Financial Contact

The District's financial statements are designed to present users (citizens, taxpayers, customers, and creditors) with a general overview of the District's finances and to demonstrate the District's accountability. If you have questions about the report or need additional financial information, please contact the District's Manager, Monday thru Friday 9:00 a.m. to 5:00 p.m. at 2020 West 1300 North Farr West, Utah 84404.

BONA VISTA WATER IMPROVEMENT DISTRICT
BALANCE SHEET
AS OF DECEMBER 31, 2006

	<u>2006</u>	<u>2005 Comparative Only</u>
ASSETS:		
Current assets:		
Cash and cash equivalents	\$ 5,146,508	\$ 4,795,769
Accounts receivable, net	254,541	253,385
Taxes receivable	27,351	26,450
Inventory	103,409	76,788
Prepaid insurance	7,260	7,122
Total current assets	<u>5,539,069</u>	<u>5,159,514</u>
Noncurrent assets:		
Capital assets:		
Land	194,500	194,500
Net depreciable capital assets	<u>8,810,191</u>	<u>8,221,980</u>
Total noncurrent assets	<u>9,004,691</u>	<u>8,416,480</u>
Total assets	<u><u>\$ 14,543,760</u></u>	<u><u>\$ 13,575,994</u></u>
LIABILITIES:		
Current liabilities:		
Deposits	\$ 279,809	\$ 116,072
Accounts payable - municipalities	125,243	127,801
Accrued expenses	11,409	7,986
Unearned revenue	2,708	2,708
Compensated absences	<u>29,456</u>	<u>30,195</u>
Total current liabilities	<u>448,625</u>	<u>284,762</u>
NET ASSETS:		
Invested in capital assets	9,004,691	8,416,480
Restricted for:		
Impact fees	1,651,335	1,380,180
Fire hydrants	9,706	12,906
Unrestricted	<u>3,429,403</u>	<u>3,481,666</u>
Total net assets	<u>14,095,135</u>	<u>13,291,232</u>
Total liabilities and net assets	<u><u>\$ 14,543,760</u></u>	<u><u>\$ 13,575,994</u></u>

The notes to the financial statements are an integral part of this statement.

BONA VISTA WATER IMPROVEMENT DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2006

	2006	2005 Comparative Only
OPERATING REVENUES:		
Water sales	\$ 1,380,333	\$ 1,319,271
Miscellaneous income	55,371	44,171
Billing fees and late penalties	79,088	79,160
Property taxes	384,564	357,602
Total operating income	1,899,356	1,800,204
OPERATING EXPENSES:		
Water purchases	659,004	592,587
Salaries	407,720	403,545
Payroll taxes and retirement	72,091	72,660
Telephone and radio	11,271	13,371
Office supplies	48,840	38,534
Repairs and maintenance	68,123	79,160
Truck and tractor costs	18,805	16,136
Insurance and bonds	126,726	122,279
Professional services	29,442	28,688
Utilities	37,420	26,707
Chemical and water testing	3,955	5,431
Training	14,588	13,855
Depreciation	280,179	275,333
Other expenses	6,165	5,559
Total operating expenses	1,784,329	1,693,845
Operating income	115,027	106,359
NONOPERATING REVENUES (EXPENSES):		
Interest earned	234,037	151,574
Connection fees	104,339	95,723
Impact fees	303,193	228,351
Annexations	60,372	44,334
Gain (loss) on disposal of assets	(13,065)	105,978
Total nonoperating revenues (expenses)	688,876	625,960
Change in net assets	803,903	732,319
TOTAL NET ASSETS, BEGINNING OF YEAR	13,291,232	12,558,913
TOTAL NET ASSETS, END OF YEAR	\$ 14,095,135	\$ 13,291,232

The notes to the financial statements are an integral part of this statement.

**BONA VISTA WATER IMPROVEMENT DISTRICT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2006**

	2006	2005 Comparative Only
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 1,379,177	\$ 1,291,168
Cash received from property taxes	383,663	356,293
Cash received from other operating activities	134,459	123,331
Cash paid to suppliers	(1,053,656)	(942,150)
Cash paid to employees	(477,127)	(468,084)
Net cash provided by operating activities	<u>366,516</u>	<u>360,558</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash received from impact fees	303,193	228,351
Cash received from connection fees	268,076	69,418
Cash received from annexations	60,372	44,334
Proceeds from sale of capital assets	27,001	201,877
Acquisition and construction of capital assets	(908,456)	(1,268,474)
Net cash used by capital and related financing activities	<u>(249,814)</u>	<u>(724,494)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest received	<u>234,037</u>	<u>151,574</u>
Net cash provided by investing activities	<u>234,037</u>	<u>151,574</u>
Net Increase (Decrease) in cash and cash equivalents	350,739	(212,362)
Cash and cash equivalents - beginning of year	<u>4,795,769</u>	<u>5,008,131</u>
Cash and cash equivalents - end of year	<u><u>\$ 5,146,508</u></u>	<u><u>\$ 4,795,769</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ 115,027	\$ 106,359
Reconciling adjustments:		
Depreciation	280,179	275,333
(Increase) Decrease in accounts receivable	(1,156)	(28,103)
(Increase) Decrease in taxes receivable	(901)	(1,309)
(Increase) Decrease in inventory	(26,621)	(5,193)
(Increase) Decrease in prepaid insurance	(138)	(36)
Increase (Decrease) in accounts payable	(2,558)	5,924
Increase (Decrease) in accrued expenses	3,423	1,327
Increase (Decrease) in other payables	-	(538)
Increase (Decrease) in compensated absences	(739)	6,794
Total adjustments	<u>251,489</u>	<u>254,199</u>
Net cash provided by operating activities	<u><u>\$ 366,516</u></u>	<u><u>\$ 360,558</u></u>

The notes to the financial statements are an integral part of this statement.

**BONA VISTA WATER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The Bona Vista Water Improvement District was organized under State of Utah statutes in 1956 by action of the Weber County Commissioners. This action established a legal entity that has power to levy taxes, issue bonds, and construct and operate a water improvement system to provide water for the benefit of the District area. The District is managed by a board of directors.

In defining the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards board (GASB). Based upon the application of the criteria established by GASB Statement No. 14, the District has no component units.

The District's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable that do not conflict with or contradict GASB pronouncements). Although the District has the option to apply FASB pronouncements issued after that date to its enterprise fund, the District has chosen not to do so. The more significant accounting policies established in GAAP and used by the District are discussed below.

The District has the following fund type:

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Enterprise Funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

Measurement Focus and Basis of Accounting

The accounts of Bona Vista Water Improvement District are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

BONA VISTA WATER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrual

The government's financial statements are presented on the full accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Deposits and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, repurchase agreements and the State Treasurer's Investment Pool.

Investments are stated at cost which approximates fair value.

Receivables and Payables

Real property taxes are collected by the County Treasurer and remitted to the District after collection. Taxes are due and payable on November 1st and delinquent after 12 o'clock noon on November 30th of each year. The tax levy is established by June 15th with a lien date of January 1st. All trade and property tax receivables are shown net of an allowance for uncollectibles.

Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of two years. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are recorded at their estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets, as applicable.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

**BONA VISTA WATER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (continued)

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25-50
Building improvements	15
Water System	50
Office equipment	5-10
Operating equipment	5-10

Compensated Absences

It is the District's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave. Vacation pay is accrued when incurred and reported as a liability.

Equity

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

It is the District's policy to first apply restricted resources before applying unrestricted resources when an expense is incurred for purposes by which both restricted and unrestricted net assets are available. The District only uses the restricted net assets for their specified purposes of impact fees and fire hydrants.

Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues that result from the ongoing principal operations of the District. Operating revenues consist of charges for services including property taxes assessed for those services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions or ancillary activities.

**BONA VISTA WATER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budget Information

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act" by the Bona Vista Water Improvement District on or before December 15th for the following fiscal year, which begins on January 1. Budgets may be increased by resolution of the Board of Directors at any time during the year, following a public hearing.

The District adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first regular scheduled meeting in November, the Director submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to the formal adoption of the budget the Board of Directors will hold budget workshop meetings, which are open to the public.
3. Prior to budget adoption the Board of Directors sets a date for a public budget hearing at which time taxpayers' comments are heard. Copies of the proposed budget are made available for public inspection 10 days prior to the budget hearing. At the conclusion of the budget hearing the budget, as amended, is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the Government Funds.
5. Budgets for the District are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Budgeted amounts are as originally adopted, or as amended by the Board of Directors during the 2006 fiscal year.
6. Unencumbered budget appropriations lapse at the end of the fiscal year.

2. DEPOSITS AND INVESTMENTS

The District's cash includes petty cash and amounts in demand deposits. This cash is displayed in the account titled "Cash and cash equivalents." Investments are stated at cost or amortized cost, which approximates fair value. Deposits are not collateralized nor are they required to be by State statute. The District's investments are displayed on the balance sheet in the same caption as deposits.

The District follows the requirements of the Utah Money Management Act (*Utah Code*, Section 51, Chapter 7) in handling its depository and investment transactions. This Act requires the depositing of District funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**BONA VISTA WATER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

2. DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits

Custodial credit risk – Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. As of December 31, 2006, \$2,692,450 of the District's bank deposits of \$2,792,450 were uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes and other evidence of indebtedness of political subdivision of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund (PTIF).

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended. The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF Investment pool is approximately equal to the value of the pool shares.

**BONA VISTA WATER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

2. DEPOSITS AND INVESTMENTS (CONTINUED)

As of December 31, 2006, the District had the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in Years)				Quality Ratings
		Less than 1	1-5	6-10	More than 10	
PTIF Investments	2,635,542	2,635,542	-	-	-	not rated
	<u>2,635,542</u>	<u>2,635,542</u>	<u>-</u>	<u>-</u>	<u>-</u>	

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District manages its exposure to declines in fair value by investing mainly in the Utah Public Treasurers Investment Fund and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. Maturities of the District's investments are noted in the previous table.

Credit risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act as previously discussed.

Concentration of credit risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar held in the portfolio. The District's investment in the Utah Public Treasurer's Investment Fund has no concentration of credit risk.

Custodial credit risk (investments) – For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a formal policy for custodial credit risk. The District's investment in the Utah Public Treasurer's Investment Fund has no custodial credit risk.

Components of cash and investments (including interest earning deposits) at December 31, 2006, are as follows:

Reconciliation of deposits and investments

Deposits	\$ 2,510,666
Cash on hand	300
Investments	<u>2,635,542</u>
Cash and cash equivalents	<u>\$ 5,146,508</u>

**BONA VISTA WATER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

3. RECEIVABLES

Receivables as of year end, including the applicable allowance for uncollectible accounts, are as follows:

Taxes	\$ 27,351
Water	90,737
Sewer, garbage, and storm drain	147,382
Other receivables	16,422
Allowance for doubtful accounts	-
	<u><u>\$ 281,892</u></u>

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2006 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated				
Land	\$ 194,500	\$ -	\$ -	\$ 194,500
Total capital assets, not being depreciated	194,500	-	-	194,500
Capital assets, being depreciated				
Buildings	999,351			999,351
Water system	10,914,413	821,496		11,735,909
Office equipment	83,567	16,315	(75,267)	24,615
Operating equipment	341,668	117,222	(183,055)	275,835
Total capital assets, being depreciated	12,338,999	955,033	(258,322)	13,035,710
Accumulated Depreciation for:				
Buildings	(11,659)	(19,987)		(31,646)
Water system	(3,870,751)	(226,828)		(4,097,579)
Office equipment	(79,367)	(3,291)	78,537	(4,121)
Operating equipment	(155,242)	(30,072)	93,141	(92,173)
Total accumulated depreciation	(4,117,019)	(280,178)	171,678	(4,225,519)
Total capital assets, being depreciated, net	8,221,980	674,855	(86,644)	8,810,191
Business-type activities capital assets, net	<u><u>\$ 8,416,480</u></u>	<u><u>\$ 674,855</u></u>	<u><u>\$ (86,644)</u></u>	<u><u>\$ 9,004,691</u></u>

**BONA VISTA WATER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

5. ACCRUED COMPENSATED ABSENCES

Vacation pay is due and payable when an employee terminates employment with the District. Therefore, accumulated unpaid vacation is recorded as a liability. At December 31, 2006 the District had accrued \$29,456 respectively.

6. ACCOUNTS PAYABLE - MUNICIPALITIES

The District entered into an agreement with Harrisville City and Plain City during 1984, Central Weber Sewer District during 1986, Farr West City during 1994, and Marriott-Slaterville City during 2003 to bill and collect sewer and garbage fees. The amount yet to be collected from the customers of these municipalities is included in Accounts Receivable. The amount owing these municipalities from Bona Vista is presented in the Accounts Payable - Municipalities.

	<u>Accounts Receivable</u>	<u>Accounts Payable</u>
Farr West	\$ 41,755	\$ 49,826
Harrisville	38,327	23,242
Plain City	38,504	41,481
Marriott-Slaterville	10,633	8,881
Central Weber	1,580	1,813
Total	<u>\$ 130,799</u>	<u>\$ 125,243</u>

7. RISK MANAGEMENT - CLAIMS AND JUDGEMENTS

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters.

The District maintains commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or in prior years.

8. RESTRICTED NET ASSETS

Impact fees - An impact fee is charged on all new construction permits. The use of these fees is limited by state law to be used for capital improvements. The restricted balance is expendable for its purpose.

Fire hydrants - In 2003 Weber county contributed money to Bona Vista Water Improvement District. That money is restricted and entirely expendable for the installation of fire hydrants.

**BONA VISTA WATER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

9. DESIGNATED NET ASSETS

The board of directors has determined that substantial improvements to their system are needed. For that purpose net assets have been designated in the amount of \$4,330,250 at December 31, 2006. To be in accordance with GASB Statement No. 34, this designation of net assets is not reported on the face of the balance sheet. Following is a list of planned improvements and estimated costs prepared by the board:

<u>Year</u>	<u>Project</u>	<u>Estimated Costs</u>
2007	12" water main at SR 126 2700 North to 4000 North	\$ 625,250
2007	8" water main at SR 39 1400 West to 1600	55,000
2007	Pump house and motor control Farr West Well	297,000
2008	10" water main at 4000 North	262,000
2008	10" water main at 1800 South 1900 W to 2700 W	426,000
2009	10" water main at 400 North 1200 W to 1900 W	335,000
2010	2 million gallon reservoir in North Ogden	1,500,000
2011	18" water main at 1700 N Mtn Road to Wash Blvd	699,000
2011	8" water main in various locations	131,000
Total estimated costs		<u><u>\$ 4,330,250</u></u>

10. RETIREMENT SYSTEM

Plan description

The Bona Vista Water Improvement District contributes to the Local Governmental Noncontributory Retirement System which is for employers with social security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems. Utah Retirement Systems provide funds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement board (Board) whose members are appointed by the Governor.

**BONA VISTA WATER IMPROVEMENT DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2006**

10. RETIREMENT SYSTEM (continued)

The Systems issue a publicly available financial report that includes financial statements and required supplementary information of the Local Governmental Non-contributory Retirement System. The Utah State Retirement Systems is on a calendar year which ends December 31, 2006. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding policy

The District is required to contribute 11.09% of their covered salary from January 2006 through June 2006 and 11.59% of their covered salary from July 2006 through December 2006. The contribution rates are the actuarially determined rates. The contribution requirements of the system are authorized by statute and specified by the Board.

The contributions by the District to the Local Governmental Noncontributory Retirement System for the years ended December 31, 2006, 2005, and 2004 were \$36,998, \$34,642, and \$30,862 respectively. The contributions were equal to the required contributions for each year and were paid by the due dates or within 30 days thereafter.

The Utah Retirement Systems have adopted Governmental Accounting Standards Board Statement 32 (GASB NO. 32), *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. This resulted in reporting the 457 Plans as a "Trust Fund" rather than previously as an "Agency Fund". Now all of the assets and income of the 457 Plan are held in trust for the exclusive benefit of the participants or their beneficiaries rather than the assets of the employer. The assets are no longer assets of the employer and are not to be included in the employer financial statements.

The District also provides a 401-k plan for employees. All employees are given the opportunity, through payroll deductions, of additional participation in the 401-k plan. The contributions by employees to the 401-k plan for the years ended December 31, 2006, 2005, and 2004 were \$15,600, \$16,080, and \$19,760 respectively.

INDEPENDENT AUDITOR'S REPORT
STATE OF UTAH LEGAL COMPLIANCE

To the Board of Directors
Bona Vista Water Improvement District

We have audited the accompanying financial statements of the business-type activities of Bona Vista Water Improvement District, for the year ended December 31, 2006 and have issued our report thereon dated May 17, 2007. Our audit included testwork on the District's compliance with the following general compliance requirements identified in the State of Utah Legal Compliance Audit Guide:

Public Debt
Cash Management
Budgetary Compliance
Impact Fees

Truth in Taxation & Property Tax Limitations
Purchasing Requirements
Other General Compliance Issues
General Compliance Special Districts

The District did not receive any major or non-major State grants during the year ended December 31, 2006.

The management of Bona Vista Water Improvement District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with requirements referred to above.

In our opinion, Bona Vista Water Improvement District, complied, in all material respects, with the general compliance requirements identified above for the year ended December 31, 2006.

Wood Richards & Associate

May 17, 2007

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Bona Vista Water Improvement District

We have audited the financial statements of Bona Vista Water Improvement District of and for the year ended December 31, 2006, and have issued our report thereon dated May 17, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered Bona Vista Water Improvement District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Bona Vista Water Improvement District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Bona Vista Water Improvement District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

May 17, 2007
Page 2

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bona Vista Water Improvement District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management and the Board of Directors and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associate

Ogden, UT
May 17, 2007

**BONA VISTA WATER IMPROVEMENT DISTRICT
SCHEDULE OF FINDINGS
DECEMBER 31, 2006**

Finding #1:

Through an evaluation of the internal controls over financial reporting it was determined that a control deficiency exists within the control policies and procedures of Bona Vista Water Improvement District. This control deficiency is deemed to be a significant deficiency. The deficiency is caused by a lack of separation of duties in the purchasing and accounts payable as the same individual who prepares the checks also prepares the bank reconciliation. The bank statements and cancelled checks are not reviewed.

Recommendation:

We recommend the District assign another individual to open the bank statement and review the statement along with the cancelled checks and sign off on the statement every month. Ideally, this person would be someone who signs checks, but is not involved in the accounting functions, such as check input and processing. This person would be more apt to identify any unusual disbursements.

We also recommend that the check signers always verify the numerical sequence of the checks presented to them to sign. Inquiries should be made of any missing checks. Voided checks should be presented to the signers.

Response:

Management agrees with the deficiency and will have an individual begin to review the bank statement and cancelled checks and sign off on the bank statement before they are delivered to the individual who prepares the bank reconciliation.

OTHER SUPPLEMENTARY INFORMATION

**BONA VISTA WATER IMPROVEMENT DISTRICT
IMPACT FEE REPORTING
AS OF DECEMBER 31, 2006**

Impact fees are assessed for all new connections just prior to the time that the user applies for his building permit in those cities that the District supplies water to. The impact fees are based on the size of connections that are being connected to the District's system.

<u>YEAR</u>	<u>REVENUES</u>	<u>EXPENDITURES</u>	<u>INTEREST</u>	<u>BALANCE</u>
2000	\$ -	\$ -	\$ -	\$ 632,573
2001	258,289	-	19,781	910,643
2002	318,529	120,000	18,343	1,127,515
2003	385,091	-	15,965	1,528,571
2004	372,341	552,217	23,333	1,372,028
2005	228,351	161,120	40,960	1,480,219
2006	303,193	202,618	70,541	1,651,335
TOTAL	\$ 1,865,794	\$ 1,035,955	\$ 188,923	\$ 1,651,335

In the 2007 budget a 12" water line will be bid out and completed at an estimated cost of \$625,250.

Other projects have been identified in our master plan and will be done in future years.